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TAGS: [EAID](#) [KWBG](#) [PREL](#) [SA](#) [IS](#)
SUBJECT: SAUDI FUND DISCUSSES GAZA RECONSTRUCTION

Classified By: Deputy Chief of Mission Susan L. Ziadeh for reasons 1.4
(b) and (d)

Summary

11. (C) The GCC recently settled on a mechanism for providing Gaza with the roughly \$1.6 billion in aid that GCC countries pledged for reconstruction efforts in January. They will start with a first tranche of projects worth \$160 million which will be selected in late October. The money for these projects will be channeled through the Islamic Development Bank to various partners, including UNRWA. End summary.

Better Late than Never

11. (C) On September 29, Econoff met with Muhammed Al-Namlah, the Saudi Fund for Development's (SFD) chief engineer for Gaza reconstruction issues to discuss how (and when) the Saudis intend to spend the \$1 billion they pledged for Gaza in January. Al-Namlah said that none of the pledge has been spent to date, although the Gulf Cooperation Council (GCC) did settle on a mechanism for how to spend the money at a meeting on September 5. They will fund up to \$160 million in projects (10 percent of total Gulf commitments), which they will select at an October 26 meeting. The committee selecting these projects is chaired by Yousef Al-Bassam, the managing director of the SFD (by virtue of the SAG's contribution being the largest), and with his Qatari counterpart serving as the deputy chair.

12. (C) According to Al-Namlah, the GCC contributions will be deposited in a single program account at the Islamic Development Bank (IDB). IDB will disperse money for projects approved by the selection committee. Al-Namlah expects many of the projects will be administered by traditional partners, including UNRWA and the IDB itself, but said that all contributing countries will share in oversight of how the money is spent. Projects selected for the initial \$160 million tranche will try to utilize materials already available in Gaza due to continuing difficulties bringing sufficient construction materials across the border. Due primarily to these difficulties, Al-Namlah was skeptical that the full \$160 million would be spent in the near future. Al-Namlah said the IDB has historically worked with the Palestinian Authority (PA) to implement projects.

SFD Mechanics

13. (C) Al-Namlah explained SFD implementing mechanisms, noting the SFD does not work with the PA due to internal

regulations barring them from giving money to government entities. He further said the SFD prefers to pay contractors directly as it gives them more control over how the money is spent and provides them with the option to limit payment in the event that the work is substandard. The SFD will provide a contractor with an advance of up to 20 percent of the project cost once the contractor has secured a bank guarantee.

Budget Support Mechanism

¶4. (C) When asked about the SAG's recent \$200 million contribution to the PA's budget, Al-Namlah said this type of extra contribution (i.e. outside of Arab League channels) does pass through SFD and that it was sent at the end of August.

Comment

¶5. (C) There has been no indication when the GCC or the SAG intend to spend the remaining funds pledged to Gaza reconstruction, \$900 million in the case of the Kingdom.
SMITH